

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7144**  
**BILL NUMBER: SB 247**

**DATE PREPARED:** Dec 29, 1998  
**BILL AMENDED:**

**SUBJECT:** Renter's deduction.

**FISCAL ANALYST:** Diane Powers  
**PHONE NUMBER:** 232-9853

**FUNDS AFFECTED:** **X** GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(21,700,000)	(22,100,000)
State Expenditures			
Net Increase (Decrease)		(21,700,000)	(22,100,000)

**Summary of Legislation:** This bill increases the renter's deduction under the adjusted gross income tax from \$1,500 to \$2,500.

**Effective Date:** January 1, 1999 (retroactive); July 1, 1999.

**Explanation of State Expenditures:** The Department of Revenue will have some minimal administrative expenses to update tax forms, instructions and computer programs to accommodate this change which can be done within their existing budget.

**Explanation of State Revenues:** Currently a taxpayer who rents a dwelling for their principal place of residence may deduct from their adjusted gross income the lesser of the amount of rent paid or **\$1,500**. Based on the Department of Revenue's Individual Income Tax Statistics, 611,610 taxpayers deducted \$872.7 M for the renter's deduction in 1995. The tax value of the current deduction at \$1,500 was \$29.7 M in FY 96. This deduction has been increasing at an average annual rate of 2.2% over the last seven years.

This bill increases this deduction to a maximum of **\$2,500** in tax years beginning January 1, 1999 and will reduce individual income tax collections by **\$21.7 M** in FY 2000 and **\$22.1 M** in FY 2001. Income tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties who have local option income taxes will lose an indeterminable amount of income tax revenue.

**State Agencies Affected:** Department of Revenue.

**Local Agencies Affected:** Counties with a local option income tax.

**Information Sources:** Department of Revenue, Individual Income Tax Statistics.